

# **State of Alaska FY2010 Governor's Operating Budget**

## **Department of Revenue AMBBA Operations RDU/Component Budget Summary**

**RDU/Component: AMBBA Operations***(There is only one component in this RDU. To reduce duplicate information, we did not print a separate RDU section.)***Contribution to Department's Mission**

The mission of the Alaska Municipal Bond Bank is to provide municipalities with financing options for capital projects.

**Core Services**

- Issue bonds to make loans to municipalities for capital projects at lower rates than the municipalities would incur elsewhere.
- Help municipalities gain experience in financial markets and establish a positive credit history.
- Monitor opportunities to issue bonds to refinance existing debt.

End Result	Strategies to Achieve End Result
<p><b>A: Municipalities will lower their cost of financing.</b></p> <p><u>Target #1:</u> 100% of new financings will result in savings.  <u>Status #1:</u> Savings were achieved in each of the four issues of the bond bank and each one of the 9 loans made with those funds. Savings aggregated almost \$3.4 million.</p> <p><u>Target #2:</u> 100% of advance refinancing will result in at least 3% savings to the issuer.  <u>Status #2:</u> There were no advance refinancings in FY2008.</p> <p><u>Target #3:</u> 100% of current refinancing will result in at least 2% savings to the issuer.  <u>Status #3:</u> There were no current refinancing issues in FY2008.</p>	<p><b>A1: Increase percentage of (statewide) municipal bond deals done by Alaska Municipal Bond Bank.</b></p> <p><u>Target #1:</u> The Bond Bank will finance 100% of the deals done statewide by municipalities with less than A2 ratings.  <u>Status #1:</u> Not Available</p>

**FY2010 Resources Allocated to Achieve Results**

<b>FY2010 Component Budget: \$828,100</b>	<b>Personnel:</b>	
	Full time	1
	Part time	0
	<b>Total</b>	<b>1</b>

## Performance

### A: Result - Municipalities will lower their cost of financing.

**Target #1:** 100% of new financings will result in savings.

**Status #1:** Savings were achieved in each of the four issues of the bond bank and each one of the 9 loans made with those funds. Savings aggregated almost \$3.4 million.

#### New Financings That Resulted in Savings

Fiscal Year	Percent
FY 2008	100%
FY 2007	100%
FY 2006	100%
FY 2005	100%
FY 2004	100%

**Analysis of results and challenges:** In each fiscal year shown all communities that borrowed funds through the Bond Bank are projected to be paying less debt service (realized savings) than they otherwise might have using other means of financing their project.

**Target #2:** 100% of advance refinancing will result in at least 3% savings to the issuer.

**Status #2:** There were no advance refinancings in FY2008.

#### Advance Refinancings that Resulted in Savings of at Least 3%

Fiscal Year	Percent
FY 2008	N/A
FY 2007	100%
FY 2006	100%
FY 2005	100%
FY 2004	N/A

**Analysis of results and challenges:** There were no advance refinancings in FY2008. Advance refinancings are on a demand basis and dependent on market conditions.

**Target #3:** 100% of current refinancing will result in at least 2% savings to the issuer.

**Status #3:** There were no current refinancing issues in FY2008.

#### Current Refinancings that Resulted in Savings

Fiscal Year	Percent
FY 2008	None
FY 2007	100%
FY 2006	100%
FY 2005	100%
FY 2004	100%

**Analysis of results and challenges:** There were no current refinancing issues in FY2008. The refundings are on a demand basis and contingent on market conditions.

**A1: Strategy - Increase percentage of (statewide) municipal bond deals done by Alaska Municipal Bond Bank.**

**Target #1:** The Bond Bank will finance 100% of the deals done statewide by municipalities with less than A2 ratings.  
**Status #1:** Not Available

**Statewide Municipal Bond Deals Financed by AMBBA**

Fiscal Year	Bonds Issued	# of Loans	# of Communities	% of Dollars Issued	% of < A2 Communities
FY 2008	\$107 million	9	7	90%	98%
FY 2007	\$107 million	14	11	80%	94%
FY 2006	\$77 million	14	11	56%	92%
FY 2005	\$123 million	18	14	61%	93%
FY 2004	\$113 million	13	11	79%	92%

**Analysis of results and challenges:** There is no central database where all debt issued statewide exists. The success of our collection of this data will depend largely on the willingness of the municipalities to respond to our requests for information.

**Key Component Challenges**

- FY2008 saw a continuation of heightened borrowing/lending activity of the AMBBA. From FY2007 to FY2008 outstanding debt increased by 14.6% to an outstanding balance of \$537.8 million on June 30, 2008. This leaves \$212.2 million that the AMBBA can issue under its statutory limitation of \$750 million. This limitation, previously set at \$300 million, was increased to \$500 million during the 2003 legislative session, and to the current \$750 million level during the 2006 legislative session.
- The AMBBA will continue to seek to maintain the diversity of the municipalities in the pool, including attempts to attract stronger municipalities with stronger credit ratings, and a broader array of municipal enterprise credits. Having a portfolio of borrowers that represents a diversity of regions and economic activity helps ensure the Bond Bank maintains its favorable credit rating.

**Significant Changes in Results to be Delivered in FY2010**

With the increase in the statutory limitation on debt issuance of AMBBA during the second session of the 24th Legislature, the AMBBA will redouble effort to add to the pool. This is of particular concern due to rating agency concern over credit concentration with the largest participant in the pool.

**Major Component Accomplishments in 2008**

- During FY2008 the AMBBA completed four bond issues for a total of \$98.7 million to fund projects or provide debt service savings in the communities of Bethel, Seward, the City and Borough of Juneau, City of Kodiak, Kodiak Island Borough, and the Kenai Peninsula Borough. These communities are estimated to have saved over \$3.4 million in reduced issuance costs and lower interest expense.
- The new general obligation master indenture created in 2005 to allow community revenue bonds to be pooled with other revenue bonds or general obligation bonds continued to increased program efficiency. In FY2008 this indenture eliminated the need for three additional bond issues that would have been required prior to 2005. In FY2008 the Bond Bank achieved rating upgrades on the 2005 program to A1 from Moody's and A+ from Standard & Poors.

**Statutory and Regulatory Authority**

AS 44.85 Alaska Municipal Bond Bank Authority

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**AMBBA Operations  
Component Financial Summary**

*All dollars shown in thousands*

	<b>FY2008 Actuals</b>	<b>FY2009 Management Plan</b>	<b>FY2010 Governor</b>
<b>Non-Formula Program:</b>			
<b>Component Expenditures:</b>			
71000 Personal Services	92.6	115.3	117.4
72000 Travel	16.9	10.1	10.1
73000 Services	448.9	696.8	696.8
74000 Commodities	0.2	3.8	3.8
75000 Capital Outlay	0.0	0.0	0.0
77000 Grants, Benefits	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
<b>Expenditure Totals</b>	<b>558.6</b>	<b>826.0</b>	<b>828.1</b>
<b>Funding Sources:</b>			
1104 Alaska Municipal Bond Bank Receipts	558.6	826.0	828.1
<b>Funding Totals</b>	<b>558.6</b>	<b>826.0</b>	<b>828.1</b>

**Estimated Revenue Collections**

<b>Description</b>	<b>Master Revenue Account</b>	<b>FY2008 Actuals</b>	<b>FY2009 Management Plan</b>	<b>FY2010 Governor</b>
<b>Unrestricted Revenues</b>				
None.		0.0	0.0	0.0
<b>Unrestricted Total</b>		<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Restricted Revenues</b>				
Municipal Bond Bank Receipts	51417	558.6	826.0	828.1
<b>Restricted Total</b>		<b>558.6</b>	<b>826.0</b>	<b>828.1</b>
<b>Total Estimated Revenues</b>		<b>558.6</b>	<b>826.0</b>	<b>828.1</b>

**Summary of Component Budget Changes  
From FY2009 Management Plan to FY2010 Governor**

*All dollars shown in thousands*

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
<b>FY2009 Management Plan</b>	<b>0.0</b>	<b>0.0</b>	<b>826.0</b>	<b>826.0</b>
<b>Adjustments which will continue current level of service:</b>				
-FY2010 Wage and Health Insurance Increases for Bargaining Units with Existing Agreements	0.0	0.0	2.1	2.1
<b>FY2010 Governor</b>	<b>0.0</b>	<b>0.0</b>	<b>828.1</b>	<b>828.1</b>

**AMBBA Operations  
Personal Services Information**

<b>Authorized Positions</b>			<b>Personal Services Costs</b>	
	<b>FY2009 Management Plan</b>	<b>FY2010 Governor</b>		
Full-time	1	1	Annual Salaries	81,263
Part-time	0	0	COLA	796
Nonpermanent	0	0	Premium Pay	0
			Annual Benefits	36,183
			Less 0.71% Vacancy Factor	(842)
			Lump Sum Premium Pay	0
<b>Totals</b>	<b>1</b>	<b>1</b>	<b>Total Personal Services</b>	<b>117,400</b>

**Position Classification Summary**

<b>Job Class Title</b>	<b>Anchorage</b>	<b>Fairbanks</b>	<b>Juneau</b>	<b>Others</b>	<b>Total</b>
State Investment Officer II	0	0	1	0	1
<b>Totals</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>1</b>